

Message Text

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ORIGIN EA-09

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 USIE-00 INRE-00 FEA-01 AGRE-00
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSC-05 PA-01 AID-05 SS-15 STR-04
ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 /091 R

DRAFTED BY EA/PHL:JSARTORIUS:CMD

APPROVED BY EA:EHEGINBOTHAM

EA/PHL:BAFLECK

STR:ELAPP

EB/ITP/OT:SAHMAD

L/EB:SBOND

EB/IFD/OIA:DSMITH

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P R 022119Z AUG 77

FM SECSTATE WASHDC

TO AMEMBASSY MANILA PRIORITY

INFO USMISSION GENEVA

C O N F I D E N T I A L STATE 181240

USMTN

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: REOPENING OF US-PHILIPPINE ECONOMIC TREATY TALKS

REF: (A) GENEVA 6257; (B) MANILA 10561

1. SUMMARY: IN REOPENING ECONOMIC TREATY TALKS, VEGA REQUESTED NEW HYPOTHETICAL US DRAFT ON GSP WAIVER IN EXCHANGE FOR GOP INVESTMENT DRAFT, WHICH, HE INDICATED, WOULD BE BASED ON MFN TREATMENT. FOR FIRST TIME VEGA SAID GOP IS CONFIDENTIAL

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READY TO OFFER REDUCTIONS IN DUTIES ON ITEMS OF INTEREST TO US AS CONTRIBUTIONS IN RETURN FOR OUR MFN TROPICAL PRODUCTS OFFERS. WE AGREED TO EXPLORE POSSIBILITY OF A NEW HYPOTHETICAL GSP WAIVER TEXT AND TO BE IN CONTACT THROUGH OUR EMBASSY IN MANILA. VEGA RETURNING TO MANILA AUGUST 8 FOR THREE-WEEK PERIOD.

2. PHILIPPINE AMBASSADOR VEGA MET WITH EA DEPUTY ASSISTANT SECRETARY HEGINBOTHAM AS SCHEDULED ON AUGUST 1. IN REOPENING US-PHILIPPINE ECONOMIC TREATY DISCUSSIONS, VEGA OBSERVED THERE SHOULD BE GOOD PROSPECTS FOR AGREEMENT BEFORE RESUMING FORMAL NEGOTIATIONS, STATING HE HAD BEEN INSTRUCTED BY MANILA TO TEST THE WATERS. HEGINBOTHAM CONCURRED IN WISDOM OF PRE-DISCUSSIONS, AND PROCEEDED TO NOTE THAT AT LAST ROUND OF NEGOTIATIONS, GOP TEAM HAD NOT BEEN

AUTHORIZED TO NEGOTIATE ON OUR TABLED INVESTMENT DRAFT; WE WERE INTERESTED IN PHILIPPINE REACTION TO THAT DRAFT. VEGA COUNTERED THAT GOP WAS WILLING TO CONSIDER ANY US INVESTMENT PROPOSAL BASED ON MFN TREATMENT, AVERRING THIS WOULD BE IN BEST INTEREST OF AMERICAN INVESTMENT IN THE PHILIPPINES. WE POINTED OUT SEVERAL TIMES DURING MEETING THAT MAJOR DEPARTURE FROM OUR LONG-STANDING, WORLDWIDE EMBODIMENT OF NATIONAL TREATMENT IN OTHER INVESTMENT TREATIES PRESENTED SERIOUS POLICY OBSTACLE TO PURE MFN FORMULATION.

3. VEGA THEN PROCEEDED TO SHIFT THE DISCUSSION TO TRADE ISSUES, IN REQUESTING US REACTIONS TO THE PHILIPPINES' LAST PROPOSALS. REVIEWING PREVIOUS TALKS, WE NOTED GOP REQUESTS FOR GSP WAIVER, AND US MFN OFFERS COUPLED WITH OUR TRADE PRIORITIES FOR PHILIPPINE CONTRIBUTIONS. ON TROPICAL PRODUCTS, INCLUDING COCONUT OIL AND PLYWOOD, CONFIDENTIAL

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VEGA SAID MANILA WAS WILLING TO CONSIDER OUR PROPOSALS; NO OTHER DEVELOPING COUNTRY HAD "DARED" TO NEGOTIATE IN THE MTN IN VIEW OF LDC POSITION AGAINST RECIPROCITY. WE THOUGHT US ONGOING TALKS WITH OTHER COUNTRIES WILL PROVIDE SCOPE FOR OTHER DEVELOPING COUNTRIES TO MAKE CONTRIBUTIONS. ON GSP, VEGA REITERATED GOP POSITION THAT PHILIPPINES HAD BEEN HARDEST HIT COUNTRY BY INDUCTION OF OUR GENERALIZED SYSTEM OF PREFERENCES. WHILE ACKNOWLEDGING MANILA HAD SOME GROUNDS FOR GSP DISAPPOINTMENT, WE BELIEVED PHILIPPINE BENEFITS WERE GREATER OR EQUAL TO THOSE RECEIVED BY SEVERAL ASEAN COUNTRIES. THE PHILIPPINE DIPLOMATIC NOTE REQUESTING ADDITION OF VARIOUS ITEMS WILL BE HANDLED IN THE CONTEXT OF OUR NEXT SEMI-ANNUAL REVISION OF GSP LIST BEGINNING IN SEPTEMBER.

4. AT THIS POINT, VEGA REQUESTED US PROVIDE NEW DRAFT HYPOTHETICAL TEXT ON GSP WAIVER IN RESPONSE TO PHILIPPINE DRAFT GIVEN TO US AT TIME OF LAST NEGOTIATIONS (SEE ATTACHMENTS TO MINUTES OF APRIL 2, 1976 MEETING). IN RETURN, GOP WOULD SIMULTANEOUSLY CONVEY ITS INVESTMENT DRAFT. INDIVIDUAL WAIVER ITEMS COULD BE SUBJECT OF LATER NEGOTIATIONS. WE STATED IT WAS IMPOSSIBLE TO CONTEMPLATE IN-

CLUSION OF SUGAR UNDER WAIVER; AND IF SUGAR ELIMINATED, EFFECT OF WAIVER ON PHILIPPINE TRADE MIGHT NOT BE HIGHLY SIGNIFICANT. VEGA SEEMED TO ACCEPT THIS, BUT BELIEVED OTHER ITEMS ON LIST OF 20 PRODUCTS SUBMITTED MARCH 1976, SOME OF WHICH WERE ALREADY UNDER US GSP AND FOR WHICH PHILIPPINES EXCLUDED BECAUSE OF COMPETITIVE NEED LIMITATION, SHOULD NOT BE SENSITIVE OR DIFFICULT FOR US TO GRANT WAIVER. AS FOR BROADER QUESTION OF TRADE IMPACT, VEGA WAS "LOOKING MORE TO THE FUTURE". WE DEMURRED ON THE EASE OF GRANTING WAIVER FOR ALL OF THESE ITEMS, LESS SUGAR,

CITING INTER ALIA POSSIBLE PROBLEMS IN US TRADE RELATIONS WITH OTHER MAJOR PRODUCERS OF CERTAIN ITEMS.

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5. HEGINBOTHAM OBSERVED THAT WE SEEMED TO BE TALKING IN CIRCLES. THE PHILIPPINES WOULD SHOW US INVESTMENT DRAFT ONLY IN EXCHANGE FOR A GSP WAIVER DRAFT. LACKING CONCRETE INVESTMENT LANGUAGE, IT WOULD BE IMPOSSIBLE TO TEST AND DETERMINE WHETHER THERE MIGHT BE SUFFICIENT LATITUDE TO BRIDGE GAP BETWEEN THE PHILIPPINE MFN AND OUR NATIONAL TREATMENT POSITION. WITHOUT SUCH AN ASSESSMENT, IT COULD BE DIFFICULT TO OBTAIN USG INTERAGENCY FOCUS AND AGREEMENT ON A HYPOTHETICAL GSP WAIVER TEXT IN ISOLATION FROM ALL OTHER ELEMENTS OF PROPOSED ECONOMIC TREATY, INCLUDING INVESTMENT PROVISIONS. HOWEVER, WE WOULD EXPLORE THE POSSIBILITY OF A NEW HYPOTHETICAL WAIVER TEXT AND BE IN CONTACT THROUGH OUR EMBASSY IN MANILA. VEGA INDICATED HE WOULD RETURN TO MANILA VIA EUROPE, ARRIVING AUG. 8, FOR ABOUT THREE WEEKS.

6. VEGA MET WITH LANDE OF STR MOST OF THE AFTERNOON AND COVERED MUCH OF THE SAME GROUND. HOWEVER, FOR THE FIRST TIME, VEGA INDICATED GOP IS READY TO OFFER TARIFF REDUCTIONS AND BINDINGS ON ITEMS OF INTEREST TO US, INCLUDING SOYBEANS AND SOYBEAN MEAL, AS CONTRIBUTIONS AND IN RETURN FOR OUR MFN OFFERS. HE ALSO CONCEDED THAT THEIR REQUESTS FOR ADDITION OF ITEMS TO GSP COULD BE SUBJECT TO "CONSULTATIONS" RATHER THAN NEGOTIATIONS, OR, IF NOT ACCEPTABLE FOR GSP, COULD BE CONSIDERED IN THE MTN. VEGA REITERATED GOP WAS NOT INSISTING ON WAIVER FOR SUGAR, AND WOULD NOT INSIST ON HAVING SPECIFIC PRODUCTS LISTED IN OUR NEW HYPOTHETICAL GSP WAIVER TEXT. SAID PHILIPPINES ANXIOUS TO CONCLUDE THESE PROTRACTED NEGOTIATIONS AS IT WAS NOT GOOD FOR BILATERAL RELATIONS TO HAVE THEM FURTHER DRAWN OUT.

7. WE ARE EXAMINING QUESTION OF ANY POSSIBLE MOVEMENT ON
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OUR PREVIOUS HYPOTHETICAL GSP WAIVER TEXT AND WILL ADVISE
YOU FURTHER. IN MEANTIME, EMBASSY CAN INFORM VIRATA OF
FOREGOING AND ALSO DRAW ON TALKING POINTS FOR VEGA
MEETING, POUCHED AS ATTACHMENT TO HEGINBOTHAM-HOLBROOKE
MEMO OF JULY 6, 1977. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, ECONOMIC COOPERATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 02-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Original Previous Classification: n/a
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